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CLARE-GLADWIN REGIONAL
EDUCATION SERVICE DISTRICT
CLARE, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2008

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TABLE OF
CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3a-3l
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balance	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	9
Fiduciary Fund:	
Statement of Fiduciary Net Assets	10
Notes to Financial Statements	11-24
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	25
Budgetary Comparison Schedule – Special Education Fund	26

TABLE OF
CONTENTS

	<u>Page</u>
Other Supplemental Information	
Combining Balance Sheet – Non-major Governmental Funds	27
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-major Governmental Funds	28
Detail of Bonded Debt	29-30
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	31-32
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	33-34
Schedule of Findings and Questioned Costs	35-36
Schedule of Expenditures of Federal Awards	37-41
Schedule of Expenditures of Federal Awards Provided to Subrecipients	42
Notes to the Schedule of Expenditures of Federal Awards	43



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Independent Auditors' Report

July 30, 2008

To the Board of Education
Clare-Gladwin Regional
Education Service District
Clare, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clare-Gladwin Regional Education Service District as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clare-Gladwin Regional Education Service District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clare-Gladwin Regional Education Service District as of June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 2008 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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WEINLANDER FITZHUGH

To the Board of Education
Clare-Gladwin Regional Education Service District
July 30, 2008
Page 2

The management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by the U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clare-Gladwin Regional Education Service District's basic financial statements. The combining and individual non-major fund financial statements, debt schedules, and schedule of expenditures of federal awards are presented for purposes of additional analysis and as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements, debt schedules and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT

Management's Discussion & Analysis For the Year Ended June 30, 2008

Our discussion and analysis of the Clare-Gladwin Regional Education Service District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

The School District's net assets increased by approximately \$50,000 or less than 1%. Program revenues accounted for approximately \$5.9 million or 47% of total revenues, and general revenues accounted for approximately \$6.5 million or 53%.

The General Fund reported a positive fund balance of approximately \$2.0 million. The Special Education Fund reported a fund balance of approximately \$679,000.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Clare-Gladwin Regional Education Service District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund, Special Education Fund and 2003 Building Bond with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General and Special Education Funds (Required Supplemental Information)

Other Supplemental Information

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT

Management's Discussion & Analysis For the Year Ended June 30, 2008

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net assets as a way to measure the School District's financial position. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

The School District is the trustee, or fiduciary, for its special activity fund. All of the School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2008

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net assets as of June 30, 2008:

	Governmental Activities	
	2008	2007
	(In Thousands)	(In Thousands)
<u>Exhibit A</u>		
Assets		
Current and other assets	\$ 4,887	\$ 4,698
Capital assets - net of accumulated depreciation	4,793	5,010
Total assets	9,680	9,708
Liabilities		
Current liabilities	1,722	1,698
Long-term liabilities	760	865
Total liabilities	2,482	2,563
Net Assets		
Invested in property and equipment	3,972	4,106
Restricted for food service	10	18
Restricted for debt service	565	648
Reserved for capital projects	79	0
Unrestricted	2,572	2,373
Total net assets	\$ 7,198	\$ 7,145

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Exhibit A focuses on net assets of the School District. The School District's net assets were approximately \$7.2 million at June 30, 2008. Capital assets, net of related debt, totaling \$3.9 million compares the original costs, less accumulated depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets, if any. The debt consists of general obligation and Durant bonds. The general obligation bonds will be repaid from future unrestricted resources while the Durant bonds will be repaid for specific future state source revenues. Restricted net assets are reported separately to show legal constraints for fund and program purposes that limit the School District's ability to use those net assets for day-to-day operations.

The \$2.6 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Exhibit B), which shows the changes in net assets for the year ended June 30, 2008 and 2007.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Exhibit B

	Governmental Activities	
	2008	2007
	(In Thousands)	(In Thousands)
Revenue		
Program revenue:		
Charges for services	\$ 1,343	\$ 949
Grants and categoricals	4,518	4,528
General revenue:		
Property taxes	3,713	3,495
State aid	1,809	1,749
Other	1,037	1,075
Total revenue	12,420	11,796
Function/Program Expenses		
Instruction	4,071	3,870
Support services	7,736	7,450
Community services	181	158
Food service	51	48
Interest on long-term debt	28	30
Depreciation (unallocated)	300	310
Total expenses	12,367	11,866
Increase (Decrease) in Net Assets	<u>\$ 53</u>	<u>\$ (70)</u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was approximately \$12.4 million. Certain activities were partially funded from those who benefited from the programs (approximately \$1.3 million) or by the other governments and organizations that subsidized certain programs with grants and categoricals (approximately \$4.5 million). We paid for the remaining “public benefit” portion of our governmental activities with approximately \$3.7 million in taxes, \$1.8 million in State revenues, and \$1 million in other revenues, such as interest and other local support.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT

Management's Discussion & Analysis For the Year Ended June 30, 2008

The School District experienced a increase in net assets of approximately \$53,000. The key reason for the change in net assets was due to an overall balanced budget. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

The School District's governmental funds reported a combined fund balance of approximately \$3.3 million, which is more than last year's total of \$3.1 million. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2008 and 2007.

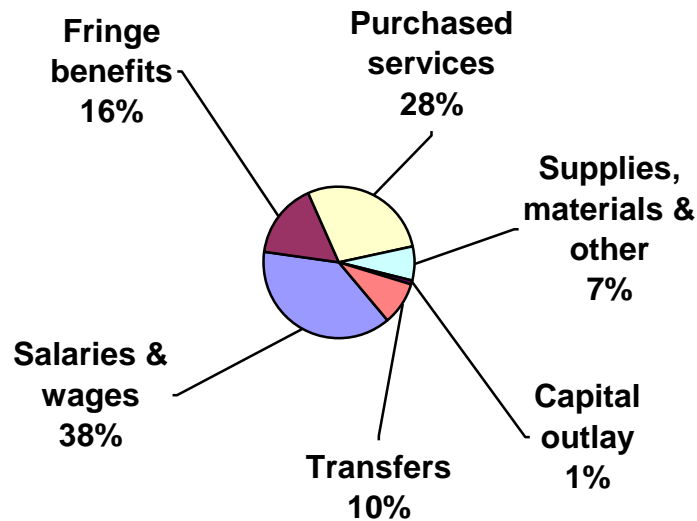
	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 2,002,180	\$ 2,009,160	\$ (6,980)
Special Education	679,448	460,883	218,565
Special Revenue - Food Service	9,811	18,231	(8,420)
Debt Service	565,176	647,915	(82,739)
Capital Projects	78,658	0	78,658
Total	<u>\$ 3,335,273</u>	<u>\$ 3,136,189</u>	<u>\$ 199,084</u>

- Our General Fund decreased by \$6,980, compared to a budgeted decrease of \$151,635. Revenues were \$12,346 below budget, primarily due to unused state and federal grant funding (to be carried over to fiscal 2008-2009). Expenditures included \$68,962 in capital outlays. Total expenditures were at 97% of budgeted amounts.
- Our Special Education Fund increased by \$218,565. The equity balance will fluctuate year to year since the Special Education Fund is designed to balance over time. Any excess equity is given back to the local districts and any equity shortage is made up from the local districts.
- The Special Revenue – Food Service Fund decreased by \$8,420 as the fund equity accumulated in prior years is spent in accordance with the primary purpose of the fund.
- The Debt Service Fund decreased by \$82,739 reflecting the payments for debt principal and interest.
- The Capital Projects Funds increased by \$78,658 reflecting the transfers received from the General and Special Education Funds during the year.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT

Management's Discussion & Analysis For the Year Ended June 30, 2008

As the graph below illustrates, the largest portions of general fund expenditures are for salaries and fringe benefits.



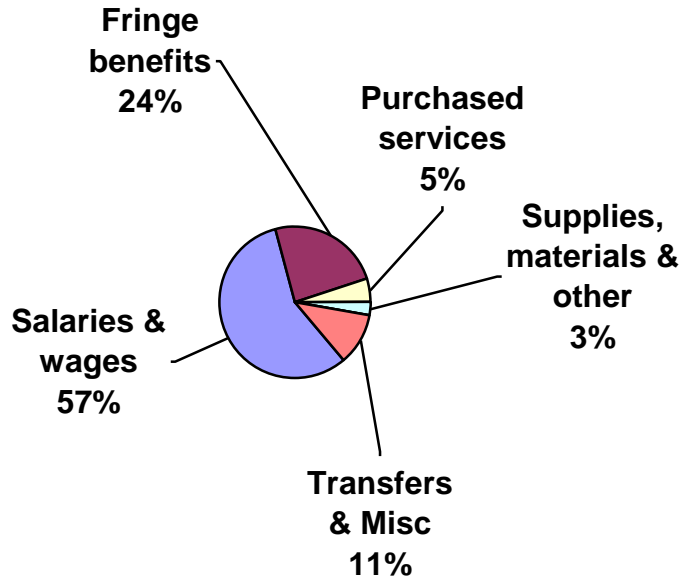
	2008	2007	Percentage Change
<i>Expenditures by Object</i>			
Salaries and wages	\$ 2,010,960	\$ 1,845,661	9%
Fringe benefits	871,834	804,156	8%
Purchased services	1,456,136	1,533,255	-5%
Supplies, materials, and other	358,539	317,113	13%
Capital outlay	68,962	110,151	-37%
Transfers and other	517,790	470,295	10%
Total	<u>\$ 5,284,221</u>	<u>\$ 5,080,631</u>	<u>4%</u>

Expenditures were up \$203,590 or 4% over the prior year primarily due to the implementation of the Middle College grant, the addition of the Beaverton High School SPARKS program and Summer Leadership Academy. Additional technology services to local districts also contributed to the increase in expenditures.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT

Management's Discussion & Analysis For the Year Ended June 30, 2008

As the graph below illustrates, the largest portions of special education fund expenditures are for salaries and fringe benefits.



	2008	2007	Percentage Change
<i>Expenditures by Object</i>			
Salaries and wages	\$ 4,084,570	\$ 3,907,452	5%
Fringe benefits	1,683,892	1,590,106	6%
Purchased services	385,252	420,910	-8%
Supplies, materials, and other	191,529	133,147	44%
Capital outlay	13,750	66,769	-79%
Transfers and other	802,578	910,520	-12%
Total	<u>\$ 7,161,571</u>	<u>\$ 7,028,904</u>	<u>2%</u>

Expenditures are up approximately \$134,000 or 2% above the prior year due primarily to increases in wages and fringe benefits.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT

Management's Discussion & Analysis For the Year Ended June 30, 2008

Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes between the original and final amended budgets were as follows:

General Fund

- Budgeted revenues were amended to reflect changes in grant spending levels and to revise state and local revenue projections. The changes reflect the awarding of USF funding directly to the District's internet provider and changes in state and federal grant amounts.
- Budgeted expenditures were amended to reflect changes in operation and maintenance costs and grant program adjustments. The overall change reflects the implementation of the Middle College program.
- Final actual revenue and expenditure totals approximated final amended budget totals. There were no individually significant variances between the final budget and actual amounts.

Special Education

- Budgeted revenues were amended to reflect changes to grant revenue from federal programs and revisions to the state aid allocation. The overall change was immaterial.
- Budgeted expenditures were amended to reflect changes in spending levels under grants from federal programs. The overall change was immaterial.
- Final actual revenue and expenditure totals were within 2% of final amended budget totals. Medicaid fee for service revenues and the related transfers out to the local districts were above budgeted amounts. There were no other individually significant variances between the final budget and actual amounts.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Capital Assets

At June 30, 2008, the School District had approximately \$7.6 million invested in a broad range of capital assets, including buildings and improvements, furniture, fixtures, technology and other equipment. This amount represents a net decrease (including additions and disposals) of approximately \$60,000 or 1%, from last year.

	<u>2008</u>	<u>2007</u>
Buildings and improvements	\$ 5,484,686	\$ 5,566,664
Furniture and fixtures	829,068	829,068
Technology and other equipment	<u>1,243,855</u>	<u>1,222,083</u>
Total capital assets	7,557,609	7,617,815
Less accumulated depreciation	<u>2,764,651</u>	<u>2,607,735</u>
Net capital assets	<u><u>\$ 4,792,958</u></u>	<u><u>\$ 5,010,080</u></u>

This year's additions of \$82,712 included building upgrades, office equipment and technology related costs. No new debt was issued for these additions. We present more detailed information about our capital assets in the notes to the financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Debt

At the end of this year, the School District had \$768,559 in bonds outstanding versus \$858,559 in the previous year. Those bonds consisted of the following:

	<u>2008</u>	<u>2007</u>
2003 Building Bonds	\$ 525,000	\$ 615,000
1998 Durant Bonds	<u>243,559</u>	<u>243,559</u>
	<u>\$ 768,559</u>	<u>\$ 858,559</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating.

Factors Expected to have an Effect on Future Operations

The District's special education program has experienced decreasing enrollment of students at both its center based programs and from the local districts served by the District's itinerant staff. This has led to reductions in services required by the local districts and personnel reductions were made both in the current fiscal year and for subsequent years.

The District implemented the Middle College Program during the year and expanded other general education services to the local districts it serves. One such example is continuing educational opportunities to assist local districts with the implementation of the new state mandated high school graduation requirements.

The School District continues to pursue funding opportunities that will support and enhance programs for students in Clare and Gladwin Counties.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Request For Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Office of the Superintendent
Clare-Gladwin Regional Education Service District
4041 East Mannsiding Road
Clare, MI 48617

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 3,132,456
Receivables:	
Property taxes	248,518
Accounts receivable	40
Due from other governmental units	1,499,740
Inventory	1,250
Deposits	5,120
Capital assets less accumulated depreciation of \$2,764,651	<u>4,792,958</u>
Total assets	<u>9,680,082</u>
<u>Liabilities</u>	
Accounts payable	370,426
Accrued payroll and other liabilities	680,038
Accrued interest payable	52,537
Deferred revenue	206,649
Due to other governmental units	294,738
Long-term liabilities:	
Due within one year	117,956
Due in more than one year	<u>759,603</u>
Total liabilities	<u>2,481,947</u>
<u>Net Assets</u>	
Investment in capital assets - net of related debt	3,971,862
Reserved for food service	9,811
Restricted for debt service	565,176
Restricted for capital projects	78,658
Unrestricted	<u>2,572,628</u>
Total net assets	<u><u>\$ 7,198,135</u></u>

See accompanying notes to financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

		Program Revenues		Governmental
				Activities
	Expenses	Charges for Services	Operating Grants/Contributions	Net (Expense) Revenue and Changes in Net Assets
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 4,070,851	\$ 496,543	\$ 1,289,524	\$ (2,284,784)
Support services	7,736,011	831,710	3,022,267	(3,882,034)
Community services	181,104	0	178,420	(2,684)
Food services	50,918	14,330	28,168	(8,420)
Interest on long-term debt	27,893	0	0	(27,893)
Depreciation (unallocated)	299,834	0	0	(299,834)
Total governmental activities	<u>\$ 12,366,611</u>	<u>\$ 1,342,583</u>	<u>\$ 4,518,379</u>	<u>(6,505,649)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				3,713,193
State aid not restricted to specific purposes				1,809,016
Interest and investment earnings				100,090
Other				936,389
Total general revenues				<u>6,558,688</u>
Change in net assets				53,039
Net assets - beginning of year				<u>7,145,096</u>
Net assets - end of year				<u>\$ 7,198,135</u>

See accompanying notes to financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Governmental Funds
Balance Sheet
June 30, 2008

	General	Special Education	2003 Building Bond	Other Nonmajor Governmental Funds	Total
<u>ASSETS</u>					
Cash and investments	\$ 1,719,458	\$ 760,224	\$ 565,176	\$ 87,598	\$ 3,132,456
Taxes receivable	49,704	198,814	0	0	248,518
Accounts receivable	40	0	0	0	40
Due from other governmental units	756,980	742,760	0	0	1,499,740
Deposits	5,120	0	0	0	5,120
Inventory	0	0	0	1,250	1,250
Total assets	<u>\$ 2,531,302</u>	<u>\$ 1,701,798</u>	<u>\$ 565,176</u>	<u>\$ 88,848</u>	<u>\$ 4,887,124</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>Liabilities</u>					
Accounts payable	\$ 292,734	\$ 77,532	\$ 0	\$ 160	\$ 370,426
Accrued payroll and other liabilities	84,271	595,767	0	0	680,038
Deferred revenue	152,117	54,313	0	219	206,649
Due to other governmental units	0	294,738	0	0	294,738
Total liabilities	<u>529,122</u>	<u>1,022,350</u>	<u>0</u>	<u>379</u>	<u>1,551,851</u>
<u>Fund Balance</u>					
Reserved for inventory	0	0	0	1,250	1,250
Reserved for food service	0	0	0	8,561	8,561
Reserved for debt service	0	0	565,176	0	565,176
Reserved for capital projects	0	0	0	78,658	78,658
Unreserved:					
Designated for future expenditures	95,805	73,590	0	0	169,395
Undesignated	1,906,375	605,858	0	0	2,512,233
Total fund balance	<u>2,002,180</u>	<u>679,448</u>	<u>565,176</u>	<u>88,469</u>	<u>3,335,273</u>
Total Liabilities and Fund Balance	<u>\$ 2,531,302</u>	<u>\$ 1,701,798</u>	<u>\$ 565,176</u>	<u>\$ 88,848</u>	<u>\$ 4,887,124</u>

See accompanying notes to financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

Total fund balances - governmental funds	\$ 3,335,273
Amounts reported for governmental activities in the statements of activities are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of the capital assets	7,557,609
Accumulated depreciation	(2,764,651)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(768,559)
Compensated absences	(109,000)
Accrued interest payable on long-term debt is not included as a liability in governmental activities	<u>(52,537)</u>
Total net assets - governmental activities	<u><u>\$ 7,198,135</u></u>

See accompanying notes to financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008

	General	Special Education	2003 Building Bond	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>					
Local sources:					
Property taxes	\$ 742,633	\$ 2,970,560	\$ 0	\$ 0	\$ 3,713,193
Other	132,361	836,172	28,231	14,350	1,011,114
State sources	1,219,141	1,153,726	0	3,732	2,376,599
Federal sources	1,653,912	2,312,159	0	23,618	3,989,689
Total revenues	<u>3,748,047</u>	<u>7,272,617</u>	<u>28,231</u>	<u>41,700</u>	<u>11,090,595</u>
<u>Expenditures</u>					
Current:					
Instruction	1,407,940	1,825,921	0	0	3,233,861
Support services	3,242,013	4,490,998	0	0	7,733,011
Community services	135,949	45,155	0	0	181,104
Food service	0	0	0	50,918	50,918
Capital outlay	68,962	13,750	0	0	82,712
Debt service:					
Principal	0	0	90,000	0	90,000
Interest and fees	0	0	20,970	0	20,970
Total expenditures	<u>4,854,864</u>	<u>6,375,824</u>	<u>110,970</u>	<u>50,918</u>	<u>11,392,576</u>
Excess (deficiency) of revenues over expenditures	<u>(1,106,817)</u>	<u>896,793</u>	<u>(82,739)</u>	<u>(9,218)</u>	<u>(301,981)</u>
<u>Other Financing Sources (Uses)</u>					
Operating transfers in from other funds	307,658	0	0	79,456	387,114
Payments from other governmental units	1,221,536	107,519	0	0	1,329,055
Operating transfers out to other funds	(38,767)	(348,347)	0	0	(387,114)
Payments to other governmental units	(390,590)	(437,400)	0	0	(827,990)
Total other financing sources (uses)	<u>1,099,837</u>	<u>(678,228)</u>	<u>0</u>	<u>79,456</u>	<u>501,065</u>
Net change in fund balance	<u>(6,980)</u>	<u>218,565</u>	<u>(82,739)</u>	<u>70,238</u>	<u>199,084</u>
Fund balance - beginning of year	<u>2,009,160</u>	<u>460,883</u>	<u>647,915</u>	<u>18,231</u>	<u>3,136,189</u>
Fund balance - end of year	<u>\$ 2,002,180</u>	<u>\$ 679,448</u>	<u>\$ 565,176</u>	<u>\$ 88,469</u>	<u>\$ 3,335,273</u>

See accompanying notes to financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balance - total governmental funds	\$ 199,084
Amounts reported for governmental activities in the statements of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(299,834)
Capital outlay	82,712
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.	
	(6,923)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).	
	90,000
Increases in compensated absences are reported as an increase to expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6.	
	<u>(12,000)</u>
Change in net assets of governmental activities	<u><u>\$ 53,039</u></u>

See accompanying notes to financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Statement of Fiduciary Net Assets
June 30, 2008

		<u>Special Activity Fund</u>
	<u>ASSETS</u>	
Cash and investments		<u>\$ 30,565</u>
	<u>LIABILITIES</u>	
Due to groups and organizations		<u>\$ 30,565</u>

See accompanying notes to financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clare-Gladwin Regional Education Service District is an intermediate school district encompassing the constituent local school districts of Beaverton, Clare, Farwell, Gladwin and Harrison, which are located in Clare and Gladwin Counties.

The accounting policies of Clare-Gladwin Regional Education Service District (the "School District") conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental and other nonprofit organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

Clare-Gladwin Regional Education Service District receives funding from local, state, and federal government sources and must comply with any related regulations and requirements of these funding source entities. The Intermediate School District is not, however, included in any other governmental "reporting entity" since the School Board, consisting of five members, is elected and has decision-making authority, power to designate management, ability to significantly influence operations, and primary accountability in fiscal matters.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statement.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Statements – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements are reported using the economic resources measurement focus and accrual basis of accounting

The School District reports the following major governmental funds:

General Fund – The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

Special Education Fund – The Special Education Fund is used to record all transactions associated with special education programs administered by the School District.

2003 Building Bonds – The 2003 Building Bond is used to pay part of the cost of the administrative building renovations.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds”.

Inventory – Inventories consist of food products and are valued at cost, on a first-in, first-out basis.

Capital Assets – Capital assets, which include buildings and improvements, furniture, fixtures and various equipment, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Buildings and improvements, furniture, fixtures and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvement	10-50 years
Furniture and fixtures	7-20 years
Technology and other equipment	5-15 years

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property Taxes – For Clare-Gladwin Regional Education Service District taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 and/or December 31 of the following year. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

State Aid – The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Clare-Gladwin Regional Education Service District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancel all encumbrances. These appropriations are re-established at the beginning of the following year.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 2 – BUDGETS (CONTINUED)

During the year ended June 30, 2008, the School District incurred the following unfavorable budget variances:

<u>Fund/Function</u>	<u>Total Appropriation</u>	<u>Actual Amount</u>	<u>Budget Variance</u>
General Fund:			
Revenues:			
State sources	\$ 1,235,201	\$ 1,219,141	\$ 16,060
Federal sources	1,657,952	1,653,912	4,040
Other Financing Sources:			
Operating transfers in from other funds	315,136	307,658	7,478
Payments from other governmental units	1,224,348	1,221,536	2,812
Special Education Fund:			
Revenues:			
State sources	1,153,727	1,153,726	1
Federal sources	2,362,353	2,312,159	50,194
Expenditures:			
Pupil Transportation	29,676	30,790	1,114
Other Financing Uses:			
Payment to other governmental units	422,782	437,400	14,618

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General and Special Education Funds are presented as Required Supplemental Information.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$ 3,132,456</u>	<u>\$ 30,565</u>	<u>\$ 3,163,021</u>

The breakdown between deposits and investments is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 307,889
Investments in interlocal agreement investment pools (i.e. MILAF) with a weighted average maturity of 60 days or less	2,854,461
Petty cash and cash on hand	<u>671</u>
Total	<u>\$ 3,163,021</u>

Custodial Credit Risk- Deposits

In the case of deposits, there is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2008, \$720,384 of the School District's bank balance of \$820,384 was exposed to custodial credit risk because it was uninsured and exceeded the available federal depository insurance limits.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk - Investments

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the School District's investment in the investment pool was rated AAA by Standard & Poor's.

The School District's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk.

NOTE 4 – CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
<u>Capital assets being depreciated:</u>				
Buildings and improvements	\$ 5,566,664	\$ 23,522	\$ (105,500)	\$ 5,484,686
Furniture and fixtures	829,068	0	0	829,068
Technology and other equipment	1,222,083	59,190	(37,418)	1,243,855
Subtotal	7,617,815	\$ 82,712	\$ (142,918)	7,557,609
<u>Accumulated depreciation:</u>				
Buildings and improvements	1,236,296	\$ 119,090	\$ (105,500)	1,249,886
Furniture and fixtures	581,238	54,581	0	635,819
Technology and other equipment	790,201	126,163	(37,418)	878,946
Subtotal	2,607,735	\$ 299,834	\$ (142,918)	2,764,651
Net capital assets	\$ 5,010,080			\$ 4,792,958

Depreciation for fiscal year ended June 30, 2008 amounted to \$299,834. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 5 – INTERFUND RECEIVABLE AND PAYABLES AND TRANSFERS

Interfund transfers were made between funds primarily for such things as indirect cost charges related to grants as well as other fees and charges between funds. A summary of interfund receivable and payable balances and transfers made during the year ended June 30, 2008 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 0	\$ 307,658	\$ 38,767
Special Education Fund	0	0	0	348,347
Capital Projects Fund	0	0	79,456	0
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 387,114</u>	<u>\$ 387,114</u>

NOTE 6 – RECEIVABLES

Receivables at June 30, 2008, consist of taxes, accounts (fees), intergovernmental grants and interest. A summary of the intergovernmental receivables (due from other governmental units) follows:

State Aid	\$ 364,370
Federal Grants	905,604
Other Grants, Programs and Fees	<u>229,766</u>
	<u>\$ 1,499,740</u>

NOTE 7 – DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current year, program revenue payments received prior to meeting all eligibility requirements amounted to \$206,649.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 8 – LONG-TERM DEBT

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements and Payments	Balance June 30, 2008	Amount Due Within One Year
Bonds	\$ 858,559	\$ 0	\$ 90,000	\$ 768,559	\$ 117,956
Compensated absences	97,000	12,000	0	109,000	0
Total	<u>\$ 955,559</u>	<u>\$ 12,000</u>	<u>\$ 90,000</u>	<u>\$ 877,559</u>	<u>\$ 117,956</u>

Bonds payable at June 30, 2008 is comprised of the following issues:

2003 Building Bonds. Face amount of \$950,000, due in annual installments of \$80,000 to \$115,000 through May 1, 2013, interest at 1.75% to 3.8%	\$ 525,000
1998 Durant Bonds. Face amount of \$412,488, due in annual installments of \$18,188 to \$144,969 through May 15, 2013, interest at 4.76%	<u>243,559</u>
	<u>\$ 768,559</u>

The Durant Non-Plaintiff bond, including interest, was issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The Durant Non-Plaintiff bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitations. This Bond is payable both as to principal and interest solely from the State Aid payments described above.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 8 – LONG-TERM DEBT (CONTINUED)

Under the terms of the present contracts between the Board of Education of Clare-Gladwin Regional Education Service District and the various employee associations, the School District is contingently liable for unused sick and vacation days. In accordance with the various contracts involved, employees are allowed to accumulate unused sick days as determined by the representative contracts involved. Terminating/retiring employees who meet certain age and years of service requirements are paid for accumulated sick days based on their current regular pay, up to maximum dollar amounts. Vacation days may only be used for vacation purposes. Administrative personnel may carry over limited amounts of unused vacation days. Unused vacation pay is calculated based on the number of unused days allowed times the current regular rate of pay. At June 30, 2008, the estimated liability, including employer taxes for those benefits, in the amount of \$109,000 has been reflected in the district-wide financial statements.

The annual requirements to amortize the various bonds payable outstanding as of June 30, 2008, including interest payments, are as follows:

Year Ended June 30	Principal	Interest	Total
2009	\$ 117,956	\$ 24,301	\$ 142,257
2010	124,048	20,643	144,691
2011	130,194	15,998	146,192
2012	136,392	11,123	147,515
2013	259,969	54,019	313,988
	<u>\$ 768,559</u>	<u>\$ 126,084</u>	<u>\$ 894,643</u>

NOTE 9 – RESERVED AND DESIGNATED FUND BALANCE

Reservations of fund balance are established to identify, (1) third-party claims against resources of the School District that have not materialized as liabilities at the balance sheet date; or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure; or (3) the existence of assets that are legally restricted to a future use. Designations of fund balance are established by the Board of Education for specific purposes.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 10 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 11 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 17.74% for the period from July 1, 2007 through September 30, 2007 and 16.72% from October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3% to 4.3% of gross wages. The School District's contributions to the MPERS plan for the years ended June 30, 2008, 2007, and 2006 were \$1,016,503, \$997,365, and \$859,651, respectively.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Postemployment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

NOTE 12 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Local sources	\$ 1,119,764	\$ 867,240	\$ 874,994
State sources	1,361,125	1,235,201	1,219,141
Federal sources	1,456,216	1,657,952	1,653,912
 Total revenues	 3,937,105	 3,760,393	 3,748,047
<u>Expenditures</u>			
Instruction:			
Basic programs	841,881	821,416	813,159
Added needs	642,428	601,921	594,781
Support services:			
Pupil	143,061	63,971	61,554
Instructional staff	1,091,100	1,204,157	1,127,127
General administration	340,549	361,094	348,903
School administration	0	51,559	50,231
Business services	343,884	351,744	346,254
Operations and maintenance	241,338	267,909	238,612
Pupil Transportation	203,041	164,459	159,921
Other supporting services	1,120,342	924,255	909,411
Community services	93,800	140,574	135,949
Capital outlay	96,567	68,962	68,962
 Total expenditures	 5,157,991	 5,022,021	 4,854,864
 Excess (deficiency) of revenues over expenditures	 (1,220,886)	 (1,261,628)	 (1,106,817)
<u>Other Financing Sources (Uses)</u>			
Operating transfers in from other funds	131,101	315,136	307,658
Payments from other governmental units	1,208,326	1,224,348	1,221,536
Operating transfers out to other funds	0	(38,767)	(38,767)
Payments to other governmental units	(452,070)	(390,724)	(390,590)
Total other financing sources (uses)	887,357	1,109,993	1,099,837
 Net change in fund balance	 (333,529)	 (151,635)	 (6,980)
 Fund balance - beginning of year	 2,009,160	 2,009,160	 2,009,160
 Fund balance - end of year	 \$ 1,675,631	 \$ 1,857,525	 \$ 2,002,180

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Required Supplemental Information
Budgetary Comparison Schedule - Special Education Fund
For the Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Local sources	\$ 3,818,745	\$ 3,756,838	\$ 3,806,732
State sources	1,110,308	1,153,727	1,153,726
Federal sources	2,370,699	2,362,353	2,312,159
Total revenues	7,299,752	7,272,918	7,272,617
<u>Expenditures</u>			
Instruction:			
Added needs	1,873,829	1,871,482	1,825,921
Support services:			
Pupil	3,945,589	3,787,783	3,746,430
Instructional staff	311,269	314,548	289,507
General administration	14,350	14,350	5,145
School administration	130,002	119,508	115,285
Business services	72,485	81,610	80,708
Operations and maintenance	102,199	109,984	101,982
Pupil Transportation	6,800	29,676	30,790
Other supporting services	138,293	135,222	121,151
Community services	51,384	52,852	45,155
Capital outlay	49,871	13,750	13,750
Total expenditures	6,696,071	6,530,765	6,375,824
Excess (deficiency) of revenues over expenditures	603,681	742,153	896,793
<u>Other Financing Sources (Uses)</u>			
Operating transfers in from other funds	0	0	0
Payments from other governmental units	87,278	100,090	107,519
Operating transfers out to other funds	(177,416)	(355,828)	(348,347)
Payments to other governmental units	(496,357)	(422,782)	(437,400)
Total other financing sources (uses)	(586,495)	(678,520)	(678,228)
Net change in fund balance	17,186	63,633	218,565
Fund balance - beginning of year	460,883	460,883	460,883
Fund balance - end of year	\$ 478,069	\$ 524,516	\$ 679,448

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Fund Food Service	Debt Service Fund Durant Bond Issue	Capital Projects Fund	Totals
<u>ASSETS</u>				
Cash and investments	\$ 8,940	\$ 0	\$ 78,658	\$ 87,598
Inventory	1,250	0	0	1,250
Total assets	<u>\$ 10,190</u>	<u>\$ 0</u>	<u>\$ 78,658</u>	<u>\$ 88,848</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 160	\$ 0	\$ 0	\$ 160
Deferred revenue	219	0	0	219
	<u>379</u>	<u>0</u>	<u>0</u>	<u>379</u>
<u>Fund Balance</u>				
Reserved for inventory	1,250	0	0	1,250
Reserved for food service fund	8,561	0	0	8,561
Reserved for capital projects	0	0	78,658	78,658
Total fund balance	<u>9,811</u>	<u>0</u>	<u>78,658</u>	<u>88,469</u>
Total Liabilites and Fund Balance	<u>\$ 10,190</u>	<u>\$ 0</u>	<u>\$ 78,658</u>	<u>\$ 88,848</u>

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes
in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Fund	Debt Service Funds	Capital Projects Fund	Totals
	Food Service	Durant Bond Issue		
<u>Revenues</u>				
Local sources	\$ 14,330	\$ 0	\$ 20	\$ 14,350
State sources	3,732	0	0	3,732
Federal sources	23,618	0	0	23,618
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	41,680	0	20	41,700
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Expenditures</u>				
Food service	50,918	0	0	50,918
Capital outlay	0	0	0	0
Debt service:				
Principal	0	0	0	0
Interest and fees	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	50,918	0	0	50,918
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(9,238)	0	20	(9,218)
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Other Financing Sources</u>				
Operating transfers in from other funds	818	0	78,638	79,456
Total other financing sources	818	0	78,638	79,456
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	(8,420)	0	78,658	70,238
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - beginning of year	18,231	0	0	18,231
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - end of year	\$ 9,811	\$ 0	\$ 78,658	\$ 88,469
	<hr/>	<hr/>	<hr/>	<hr/>

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Detail Of Bonded Debt
2003 Administration Building Renovation Bonds
For the Year Ended June 30, 2008

PURPOSE

The School District issued the 2003 General Obligation Building Bonds on September 3, 2003, in the amount of \$950,000. The principal and interest on this bond issue is financed primarily from the general assets of the School District. The bonds, dated September 1, 2003, which bear interest at 1.75% to 3.80% are due serially through 2013. The bond proceeds were used for the purpose of paying part of the cost of the administrative building renovations.

DATE OF ISSUE

September 1, 2003

AMOUNT OF ISSUE

\$ 950,000

AMOUNT REDEEMED

During prior years

\$ 335,000

During current year

90,000

425,000

BALANCE OUTSTANDING - JUNE 30, 2008

\$ 525,000

<u>Fiscal Year</u>	<u>Interest Rates</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	2.70%	\$ 95,000	\$ 18,290	\$ 113,290
2010	3.50%	100,000	15,725	115,725
2011	3.50%	105,000	12,225	117,225
2012	3.80%	110,000	8,550	118,550
2013	3.80%	115,000	4,370	119,370
		<u>\$ 525,000</u>	<u>\$ 59,160</u>	<u>\$ 584,160</u>

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Detail Of Bonded Debt
1998 School Improvement Bonds
For the Year Ended June 30, 2008

PURPOSE

The State of Michigan issued the 1998 School Improvement Bond Issue on November 24, 1998, in the amount of \$412,488. The principal and interest on this bond issue is to be repaid by future state aid resulting from the Durant settlement. The bonds bear an interest rate of 4.76% and are due serially through 2013. The bond proceeds were used for the purpose of paying for certain capital expenditures for improvements in and for the District in accordance with Section 1351a of Act 451 of the Public Acts of 1976, as amended, being MCLA 380.1351a.

DATE OF ISSUE

November 24, 1998

AMOUNT OF ISSUE

\$ 412,488

AMOUNT REDEEMED

During prior years

\$ 168,929

During current year

0

168,929

BALANCE OUTSTANDING - JUNE 30, 2008

\$ 243,559

<u>Fiscal Year</u>	<u>Interest Rates</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	4.76%	\$ 22,956	\$ 6,011	\$ 28,967
2010	4.76%	24,048	4,918	28,966
2011	4.76%	25,194	3,773	28,967
2012	4.76%	26,392	2,573	28,965
2013	4.76%	<u>144,969</u>	<u>49,649</u>	<u>194,618</u>
		<u><u>\$ 243,559</u></u>	<u><u>\$ 66,924</u></u>	<u><u>\$ 310,483</u></u>



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July 30, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Clare-Gladwin Regional
Education Service District
Clare, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clare-Gladwin Regional Education Service District as of and for the year ended June 30, 2008, and have issued our report thereon dated July 30, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clare-Gladwin Regional Education Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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Board of Education
Clare-Gladwin Regional Education Service District
July 30, 2008

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clare-Gladwin Regional Education Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Education, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh



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July 30, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Clare-Gladwin Regional Education Service District
Clare, Michigan

Compliance

We have audited the compliance of Clare-Gladwin Regional Education Service District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Clare-Gladwin Regional Education Service District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questionable costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Clare-Gladwin Regional Education Service District's management. Our responsibility is to express an opinion on Clare-Gladwin Regional Education Service District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clare-Gladwin Regional Education Service District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Clare-Gladwin Regional Education Service District's compliance with those requirements.

In our opinion, Clare-Gladwin Regional Education Service District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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Board of Education
Clare-Gladwin Regional Education Service District
July 30, 2008

Internal Control Over Compliance

The management of Clare-Gladwin Regional Education Service District is responsible for establishing and maintaining effective internal control over compliance with the requirement of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Clare-Gladwin Regional Education Service District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was not for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiencies identified not considered to be material weaknesses? ☐ YES ☒ NO

Noncompliance material to financial statements noted? ☐ YES ☒ NO

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiencies identified not considered to be material weaknesses? ☐ YES ☒ NO

Type of auditor's report issued on compliance of major programs: Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? ☐ YES ☒ NO

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 (Cluster)	Handicapped Preschool & School Program
84.173 (Cluster)	Preschool Grant
84.048	Vocational Education
84.298	Title V-Innovative Education Program Strategies

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ YES ☐ NO

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION II - Financial Statement Findings

There are no matters reported.

SECTION III - Federal Award Findings and Questioned Costs

There are no matters reported.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>July 1, 2007</u>	Adjustments and <u>Transfers</u>	Current Year Receipts <u>(Cash Basis)</u>	Current Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>June 30, 2008</u>
<u>CLUSTERS:</u>								
Child Nutrition Cluster:								
U.S. Department of Agriculture								
Passed through MDE								
National School Lunch Breakfast								
1978 Breakfast	10.553	\$ 7,470	\$ 0	\$ 355	\$ 0	\$ 7,825	\$ 7,470	\$ 0
National School Lunch Program								
1958 Section 4 All Lunches	10.555	2,032	0	69	0	2,101	2,032	0
1968 Section 11 Free and Reduced		13,464	0	436	0	13,900	13,464	0
Total		15,496	0	505	0	16,001	15,496	0
Total Child Nutrition Cluster		22,966	0	860	0	23,826	22,966	0
IDEA Cluster Programs:								
U.S. Department of Education								
Handicapped Preschool & School Program	84.027							
PL 94-142 Flowthrough:								
Project 080450-0708		1,906,821	0	0	0	1,458,228	1,839,830	381,602
Project 070450-0607		1,914,905	1,801,539	359,301	0	443,946	113,366	28,721
Project 060450-0506		1,909,201	1,909,201	9,434	0	9,434	0	0
Total		5,730,927	3,710,740	368,735	0	1,911,608	1,953,196	410,323
State Initiated / Competitive:								
Project 080480-EOSD		50,000	0	0	0	46,782	50,000	3,218
Project 070480-EOSD		50,000	50,000	2,513	0	2,513	0	0
Project 080440-0708		3,192	0	0	0	2,701	2,701	0
Project 080440-0708a		2,722	0	0	0	2,487	2,487	0
Total		105,914	50,000	2,513	0	54,483	55,188	3,218

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

<u>Federal Grantor Pass Through Grantor Program Title Grant Number</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue July 1, 2007</u>	<u>Adjustments and Transfers</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Current Year Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2008</u>
State Initiated / Department:								
Project 080490-TS		\$ 60,000	\$ 0	\$ 0	\$ 0	\$ 46,755	\$ 60,000	\$ 13,245
Project 070490-TS		70,000	70,000	11,652	0	11,652	0	0
Total		130,000	70,000	11,652	0	58,407	60,000	13,245
Subtotal CFDA #84.027		5,966,841	3,830,740	382,900	0	2,024,498	2,068,384	426,786
Preschool Grant	84.173							
P.L. 94-142 Preschool Incentive:								
Project 060460-0506		67,453	67,453	2,451	0	2,451	0	0
Project 070460-0607		66,203	66,203	12,277	0	12,277	0	0
Project 080460-0708		65,848	0	0	0	50,436	65,848	15,412
Subtotal CFDA #84.173		199,504	133,656	14,728	0	65,164	65,848	15,412
Total For IDEA Cluster Programs		6,166,345	3,964,396	397,628	0	2,089,662	2,134,232	442,198
<u>OTHER FEDERAL AWARDS:</u>								
U.S. Department of Education:								
Passed through Michigan Department of Education:								
Vocational Education - Basic Grants to States	84.048							
Vocational Education Regional Allocation:								
Project 083520-8012-06		380,663	0	0	0	248,771	377,323	128,552
Project 073520-7012-6		399,907	399,907	183,346	0	183,346	0	0
Total		780,570	399,907	183,346	0	432,117	377,323	128,552

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

<u>Federal Grantor Pass Through Grantor Program Title Grant Number</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue July 1, 2007</u>	<u>Adjustments and Transfers</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Current Year Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2008</u>
Infants and Toddlers	84.181							
Infants and Toddler Formula Grant:								
Project 061340-190		\$ 90,860	\$ 90,860	\$ 4,640	\$ 0	\$ 4,640	\$ 0	\$ 0
Project 071340-190		92,266	52,786	3,418	0	42,892	39,480	6
Project 081340-190		91,433	0	0	0	51,784	58,935	7,151
Total		274,559	143,646	8,058	0	99,316	98,415	7,157
21st Century Community Learning Center	84.287							
21st Century Community Learning Center:								
Project 082110-21ST03-003		340,000	0	0	0	256,943	340,000	83,057
Project 082110-D07044		150,000	0	0	0	113,044	150,000	36,956
Project 82110-DA07046		625,000	0	0	0	464,541	625,000	160,459
Project 072110-21ST03-003		340,000	340,000	68,428	0	68,428	0	0
Project 062110-21ST02-008		343,432	343,432	58,693	0	58,693	0	0
Project 062110-21ST03-007		481,209	481,209	94,486	0	94,486	0	0
Total		2,279,641	1,164,641	221,607	0	1,056,135	1,115,000	280,472
Title V - Innov Educ Program Strategies	84.298							
Title V - Innov Education Program Strategies:								
Project 080250-0708		4,710	0	0	0	3,992	4,710	718
Improving Teacher Quality	84.367							
Title II Part A Tech Trn								
Project 080520-0708		818	0	0	0	818	818	0
Total non cluster programs passed through MDE		3,335,588	1,708,194	413,011	0	1,588,386	1,591,556	416,181

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

<u>Federal Grantor</u> <u>Pass Through Grantor</u> <u>Program Title Grant Number</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Approved</u> <u>Grant Award</u> <u>Amount</u>	<u>(Memo Only)</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Accrued</u> <u>(Deferred)</u> <u>Revenue</u> <u>July 1, 2007</u>	<u>Adjustments</u> <u>and</u> <u>Transfers</u>	<u>Current Year</u> <u>Receipts</u> <u>(Cash Basis)</u>	<u>Current Year</u> <u>Expenditures</u>	<u>Accrued</u> <u>(Deferred)</u> <u>Revenue</u> <u>June 30, 2008</u>
Passed Through Other ISD's								
Passed through COOR ISD:								
Technology Prep	84.243							
2007-2008		\$ 28,011	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,011	\$ 28,011
2006-2007		28,507	28,507	13,222	0	13,222	0	0
		<u>56,518</u>	<u>28,507</u>	<u>13,222</u>	<u>0</u>	<u>13,222</u>	<u>28,011</u>	<u>28,011</u>
Passed through Saginaw ISD:								
Reading First Statewide Prof Dev	84.357							
2007-2008		11,801	0	0	0	11,801	11,801	0
2006-2007 Contract #071B3001238		11,814	11,814	11,814	0	11,814	0	0
		<u>23,615</u>	<u>11,814</u>	<u>11,814</u>	<u>0</u>	<u>23,615</u>	<u>11,801</u>	<u>0</u>
Passed through Marquette Alger RESA								
Personnel Development Collaborative	84.323A							
2007-2008		25,000	0	0	0	0	16,954	16,954
Project #070620-03001		21,275	15,299	13,590		18,164	4,574	0
		<u>46,275</u>	<u>15,299</u>	<u>13,590</u>	<u>0</u>	<u>18,164</u>	<u>21,528</u>	<u>16,954</u>
Total Passed through Other ISD's		<u>126,408</u>	<u>55,620</u>	<u>38,626</u>	<u>0</u>	<u>55,001</u>	<u>61,340</u>	<u>44,965</u>
Direct:								
Emergency Response Plans for School	84.184							
Safety Initiative Grant:								
Project #Q184E050313		246,844	152,123	7,130	0	101,851	94,721	0
Rural Education Achievement Program	84.358							
Small, Rural School Achievement Grant:								
Project S358A052286, 2006-2007		17,217	17,217	3,019	0	3,019	0	0
Project Q184E050313		19,034	0	0	0	13,935	15,477	1,542
		<u>36,251</u>	<u>17,217</u>	<u>3,019</u>	<u>0</u>	<u>16,954</u>	<u>15,477</u>	<u>1,542</u>
Total Direct		<u>283,095</u>	<u>169,340</u>	<u>10,149</u>	<u>0</u>	<u>118,805</u>	<u>110,198</u>	<u>1,542</u>
Total US Dept of Ed non cluster programs		<u>3,745,091</u>	<u>1,933,154</u>	<u>461,786</u>	<u>0</u>	<u>1,762,192</u>	<u>1,763,094</u>	<u>462,688</u>

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2007	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2008
U.S. Department of Agriculture Passed through MDE: Food Distribution	10.550							
Entitlement Commodities		\$ 652	\$ 0	\$ 0	\$ 0	\$ 652	\$ 652	\$ 0
Bonus Commodities		0	0	0	0	0	0	0
Total USDA Non-cluster Programs		652	0	0	0	652	652	0
U.S. Department of Health and Human Services Passed through Michigan Community Health: Medicaid Assistance Program Title XIX	93.778							
Pupil Transportation Costs for School Based Services		4,616	0	0	0	4,616	4,616	0
Medicaid Administrative Outreach		59,419	0	0	0	59,419	59,419	0
Total USDHHS Non-Cluster Programs		64,035	0	0	0	64,035	64,035	0
Total Federal Financial Assistance		<u>\$ 10,003,799</u>	<u>\$ 5,897,550</u>	<u>\$ 860,274</u>	<u>\$ 0</u>	<u>\$ 3,944,359</u>	<u>\$ 3,989,689</u>	<u>\$ 905,604</u>

See accompanying notes to financial statements

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
Provided to Subrecipients
For the Year Ended June 30, 2008

Program Title <u>Subrecipient Name</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>	Accrued or (Deferred) Revenue at <u>July 1, 2007</u>	Adjustments <u>and Transfers</u>	Current Year Receipts <u>(Cash Basis)</u>	Current Year <u>Expenditures</u>	Accrued or (Deferred) Revenue at <u>June 30, 2008</u>
Vocational Education Regional Allocation:	84.048							
Vocational Education Regional Allocation:								
Project 073520-7012-6								
COOR ISD		\$ 159,963	\$ 159,963	\$ 65,041	\$ 0	\$ 65,041	\$ 0	\$ 0
Project 083520-8012-06								
COOR ISD		152,265	0	0	0	100,524	152,265	51,741
IOSCO ISD		87,553	0	0	0	87,553	87,553	0
		<u>\$ 399,781</u>	<u>\$ 159,963</u>	<u>\$ 65,041</u>	<u>\$ 0</u>	<u>\$ 253,118</u>	<u>\$ 239,818</u>	<u>\$ 51,741</u>

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Clare-Gladwin Regional Education Service District and is presented in the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.

NOTE 2 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Clare-Gladwin Regional Education Service District provided federal awards to subrecipients as noted in the Schedule of Expenditures of Federal Awards Provided to Subrecipients.

NOTE 3 - OTHER DISCLOSURES

The amounts reported on the Form R7120 (Grant Section Auditors Report) and the Cash Management System Grant Auditor Report reconcile with the Schedule of Expenditures of Federal Awards.

The total current year expenditures reported in the Schedule of Expenditures of Federal Awards agrees to the total federal revenue reported in the financial statements.

NOTE 4 – GRANT ADJUSTMENTS AND TRANSFERS

There were no adjustments to grants for June 30, 2008.



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
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July 30, 2008

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To the Board of Education
Clare-Gladwin Regional Education
Service District
4041 East Mannsiding Road
Clare, MI 48617

We have audited the financial statements of the Clare-Gladwin Regional Education Service District for the year ended June 30, 2008, and have issued our report thereon dated July 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated June 18, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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WEINLANDER FITZHUGH

To the Board of Education
Clare-Gladwin Regional Education
Service District
July 30, 2008
Page 2

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the School District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the School District's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on June 18, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Clare-Gladwin RESD are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2008 fiscal year. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.



WEINLANDER FITZHUGH

To the Board of Education
Clare-Gladwin Regional Education
Service District
July 30, 2008
Page 3

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the fixed asset depreciation is based on the estimated useful lives of the fixed assets. We evaluated the key factors and assumptions used to develop the useful lives of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the audit, there were no significant reclassification and audit adjustments required.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



WEINLANDER FITZHUGH

To the Board of Education
Clare-Gladwin Regional Education
Service District
July 30, 2008
Page 4

Management Representation

We have requested certain representations from management that are included in the management representation letter dated July 30, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the School Board, management and others within the School District and is not intended to be and should not be used by anyone other than these specified parties.

Very Truly Yours,

Weinlander Fitzhugh